

**STATE OF NEW JERSEY**

**Board of Public Utilities**

*Two Gateway Center*

*Newark, NJ 07102*

TELECOMMUNICATIONS

PETITION OF METROMEDIA FIBER NETWORK )  
SERVICES, INC. FOR AUTHORITY TO )  
PROVIDE GUARANTEE AND OTHER )  
SECURITY IN CONNECTION WITH THE )  
FINANCING FOR ITS PARENT )

ORDER OF APPROVAL

DOCKET NO.: TF01050312

Norris, McLaughlin & Marcus, P.A., Somerville, New Jersey, by James H. Laskey, Esq.  
for Metromedia Fiber Network Services, Inc.

Fred S. Grygiel, Chief Economist, Mark C. Beyer, Manager, Leo M. Lim, Supervising  
Accountant and Julie Huff, Accountant I, Office of the Economist on behalf of the  
Staff of the Board of Public Utilities.

BY THE BOARD:

On May 16, 2001, Metromedia Fiber Network Services, Inc. (MFNS or Petitioner), pursuant to N.J.S.A. 48:3-7, filed a petition with the New Jersey Board of Public Utilities (Board) seeking its approval for Petitioner to provide guarantee and other security in connection with financing of up to \$800 million being arranged for its parent, Metromedia Fiber Network, Inc. (MFN or Borrower).

Petitioner is a wholly owned subsidiary of MFN, a publicly held Delaware corporation, both situated at 360 Hamilton Avenue, White Plains, New York 10601. MFN and its subsidiaries are leading providers of dedicated end-to-end fiber optic infrastructure and high-bandwidth Internet connectivity, both domestically and internationally.

Petitioner is a competitive telecommunications carrier and is not subject to rate of return regulation. The rates charged to its customers are subject to market discipline and the services offered are generally also available from other carriers.

MFN proposes to borrow up to \$800 million through one or more financing arrangements with banks or other financial institutions. The maturity for each loan is expected to be approximately seven years after the initial borrowing. The interest rate will have two components, a base rate and a margin rate. The base rate is defined as the base or prime rate charged by a specified major bank for loans of similar size with similar maturities or as an adjusted federal funds rate. The margin rate will vary with the Borrower's financial performance, but is expected to be between 2 and 5 percent. The loans are expected to be secured by the guarantees of Borrower's subsidiaries, including MFNS, and by a security interest in their stock and assets. Some of the proceeds will be available for general corporate purposes, capital expenditures and working capital. Other proceeds will be used for the acquisition and development of

telecommunications assets needed for the continued buildout of the combined companies' business.

According to Petitioner, this financing transaction will serve the public interest by enhancing the ability of MFN and its subsidiaries, including MFNS, to grow and compete in the highly competitive markets for telecommunications services in New Jersey and nationwide. The financing arrangements will provide the companies with the financial resources needed to continue to produce new products and services and respond to the highly competitive telecommunications environment.

By letter dated July 10, 2001, the Division of the Ratepayer Advocate states it, "...does not object to approval of the petition...".

After review, the Board HEREBY FINDS that the financing transaction is in accordance with the law, is in the public interest and approving the purposes thereof, HEREBY AUTHORIZES Petitioner to provide the guarantees and other security in the financing arrangement described herein.

This Order is subject to the following conditions:

1. An event of default under the financing arrangement shall not result in any automatic transfer of ownership of any of Petitioner's certificates issued by the Board.
2. Notwithstanding anything to the contrary in the documents executed pursuant to the financing transaction approved hereunder or other supporting documents, a default or assignment under such agreement does not constitute automatic transfer of Petitioner's assets or shares of capital stock. Board approval must be sought pursuant to N.J.S.A. 48:1-1 et seq., where applicable.
3. The Board's approval herein should not be interpreted as limiting the Board's authority over the Petitioner to the extent that any action contemplated in the financing agreement would further require Board review and approval under applicable law.
4. This Order shall not affect or in any way limit the exercise of the authority of this Board, or of this State, in any future petition or in any proceedings with respect to rates, franchises, services, financing (including the method of sale of securities), accounting, capitalization, depreciation or in any other matter affecting the Petitioner.
5. This Order shall not be construed as directly or indirectly fixing for any purpose whatsoever any value of tangible or intangible assets of commensurate value or investment costs.

6. The authority granted in this Order shall become null and void and of no effect with respect to any portion thereof which is not exercised by December 31, 2001.

DATED: July 13, 2001

BOARD OF PUBLIC UTILITIES  
BY:

[SIGNED]  
CAROL J. MURPHY  
ACTING PRESIDENT

[SIGNED]  
FREDERICK F. BUTLER  
COMMISSIONER

ATTEST:

[SIGNED]  
FRANCES L. SMITH  
BOARD SECRETARY